



WHAT'S YOUR PLAN? BUILDING THE FUTURE BY PLANNING AHEAD

by Tracy Schohr, University of California Cooperative Extension,

A LEGACY is the summation of a lifetime of achievement and how that lifetime will be remembered. The Ag Legacy Symposium on February 25, 2023 held at the Chico State Farm brought together ranchers, farmers and agribusiness owners to prepare the next generation of managers and owners. The event featured sessions on legal aspects, financial topics, political factors, family dynamics, and provided real life scenarios for participants to consider incorporating into their succession plan. This feature is the second of three on Ag Legacy, highlighting the legal elements of estate planning that were discussed at the event.

Vast open spaces, cattle laying chewing their cud, chirping birds, grass blowing in the wind, a babbling brook and calves frolicking are the joys of ranching – far from a lawyer's office with looming invoices for services rendered! The fear of the lawyer themselves, the fear of the cost or fear of the time commitment all needs to be weighed against the reality - Are you willing to jeopardize the legacy of your family business??? That is your business, just know the consequences. Creating your Ag Legacy requires a team of trusted advisors! A lawyer, like a pitcher on a baseball team, is a necessary part of your team roster!

Understanding Your Needs

When taking the first step to find a lawyer ask neighbors, friends, and fellow ranchers. Take time to do your homework! Just like selecting a new herd bull, find a lawyer that matches your operation needs, personality, and is understanding of your goals for your Ag Legacy. Just like your herd bulls, sometimes you need to cull lawyers too!

"Find an advisor you can trust and confide in to help you identify and prioritize your goals and the best mechanisms to meet them," stated symposium speaker and estate planning attorney Mindi Reid. "Recognize this is a process. You can get your feet wet before jumping in."

Reid is a Partner in the law firm Hyatt McIntire & Associates. Her practice focuses on estate planning, trust administration, and probate. She is a sixth-generation member of a pioneer farming family in Yuba County, who has experienced the trials and tribulations of business succession in her own family. Reid has also watched and helped plan to prevent the heartbreak endured by families in the region who have struggled with lack of estate planning that dismantled once thriving family farming and ranching businesses.

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The process of working with a lawyer will come with expenses, frustration, and hard questions. Sitting down to have the difficult conversation can bring up past squabbles, differences in values and opinions, driving a wedge between generations that have different experiences that have shaped their personal values.

“There is a human dynamic that we don’t have control of. Certain people pop off and can change relationships, or opposite and do nice things and strengthen bonds,” stated symposium presenter John Hewlett, Extension Ranch/Farm Management Specialist at the University of Wyoming when discussing emotions that may rise when your attorney presents you with difficult decisions. “There is no right or wrong, it is dynamic, and the answer today might not be the same tomorrow.”

Hewlett went on to discuss the importance of sharing the stories that have shaped you and share the struggles that have defined your commitment to ranching. At the same time, look out for the next generation by having the difficult conversations with your attorney, accountant, and family about the future.

In the first article of this series on producer perspectives, **Tim Koopmann**, Sunol, discussed his family being a victim of the estate tax not once, but twice. After Tim’s grandfather passed away in a tragic accident with no will, he watched his father get sick with worry and stress. The Koopmann’s were forced to fire sale hundreds of acres at below market prices to meet tax obligations to save the main ranch. The question of what could have been the family legacy and ranching operation without the lack of estate planning lives on generations later.

Don’t let your legacy be defined by the estate, but rather the stories they share about you long after you are gone.

Reid, who has grown up in production agriculture shared her philosophy, “The drive for me is keeping the land in production agriculture for the next generation, my children, Penny and Price. I want my kids to grow up like I did in rural America instilled with similar values and life skills. It may be a tempting option to try to do it yourself, but any pitfalls of your estate plan will be nightmares for your heirs.”

Building Your Plan

Your estate plan is more than just your trust or will. An estate plan is a complete set of tools that will control what happens to you and your assets when you are no longer able to make decisions.

During the symposium Reid

discussed the overarching need to have an estate plan for protection, control and savings.

- Protection: Protect what matters most by planning for the future.
- Control: By practicing proactive planning, you will gain full control over the disposition of your assets.
- Savings: Minimize or eliminate taxes. Avoid probate costs and hassles.

“We don’t have a crystal ball, but we know there will be an end,” shared Reid. “In the event of your death or disability, your estate plan will direct business and personal matters. It will say who you want to raise your young children or who you prefer to continue your business.”

Working with an attorney to design a plan will make the implementation of your wishes easier. There are a variety of tools ranchers can utilize to meet their desired objectives. When it comes to estate planning there is not a one size fits all option. The tools you will need depend on your goals, the size and scope of your estate and may include items such as: Trust, Will, Durable Power of Attorney, Advanced Health Care Directive, etc.

“It is important that you don’t get set on what tool you want to use, but rather what tool is best, based on your goals!” shared Reid.

Based on your goals, your attorney will provide an overview of the tools that will work best. Secondly, your attorney will craft the documents working with you to refine specific



Mindi Reid, Attorney at Hyatt McIntire and Associates, speaking about estate planning.



Tracy Schohr, UC Cooperative Extension, Jeff Tranel, Colorado State University Extension, Kasey DeAtley, Ph.D., Chico State, & John Hewlett, Wyoming Extension

elements, so that your final wishes will be carried out as you envision upon your passing. Once your attorney writes up the plan, go through it, ask questions, make clarifications, and have conversations with your attorney. The ag legacy planning process will be hard, but what will be harder is for your children and grandchildren to watch the government decide the script for your legacy.

“It is crucial to recognize that when you sign the legal documents, you are not done,” stated Reid. “There will be follow-up tasks to solidify your plan, and review and maintenance of your plan is recommended to ensure it remains cohesive with your family and ranching operation.”

It is important to recognize that you may need to do more than just sign your trust or will documents. Follow up tasks such as changes to real property deeds, DMV vehicle registration, bank accounts etc. may need to be updated or the mission to avoid taxes and probate could be jeopardized.

Taxes and Probate

Creating an effective estate plan will meet your needs today with tax planning strategies reflective of your current situation and set the foundation for your future with flexibility to evolve as your operation changes.

When it comes to fear-based action, you need to look no further than PROBATE. If you choose not to act, your estate, assets and legacy will be defined by the courts. Under current California law, an estate with assets in a deceased individual's name that exceed \$184,500 gross “fair market value” is subject to probate administration. Estate planning tools as simple as retitling assets and making proper beneficiary designations can completely avoid probate.

Probate creates heartache for your family, puts your family business in the public eye, and there are high financial implications. The State of California has a set fee schedule for supervising estates that have failed to plan. For a small ranch, in addition to other filing fees and costs, the fees paid to an attorney and executor could easily reach \$48,425 paid to each, as outlined in the case example. Additionally, for those of you who may be in allied industries or just own a home reading this article, probate can also impact your family with the average home values over \$184,500!

“Compared to the alternative probate process, a thorough estate plan saves time and money,” stressed Reid to symposium attendees. “Moreso, it will keep your personal business personal, and not

open to the public.”

To ensure a successful transition to the next generation you must navigate a litany of tax codes beyond probate, including: Income Taxes, Estate Taxes and Property Taxes. Your estate plan documents can minimize or avoid taxes with proper planning. In article one of the series, we shared about the importance of using a team of trusted advisors – accountant and lawyer - to write your Ag Legacy Plan. In the third article of this series, we will further discuss the topic of Ag Legacy and tax implications from the perspective of an accountant.

Today Decides Tomorrow

The symposium brought together multiple generations from farms and ranches across Northern California to learn, share and connect. It was a day to start building and refining Ag Legacy Plans, diving into the legal aspects, and to hear stories of success and tribulations.

“The estate planning process can make or break a family ranch,” shared event co-host and moderator **Kasey DeAtley**, Ph.D., rancher and professor at California State University, Chico. “If you have a lawyer on your team, that is committed, easy to talk to and understanding - I am confident, will give you ease today and assurance that your heirs and legacy will continue to thrive after your passing.”

Future Ag Legacy events are being planned for later this year and in 2024. If you are interested in learning more about these events, visit: <https://surveys.ucanr.edu/survey.cfm?surveynumber=40630>.

The event was hosted by Dr. Kasey DeAtley and Eric Houk, Ph.D., California State University, Chico and Tracy Schohr, University of California Cooperative Extension, with support from Chico State Young Cattlemen's Association. Sponsorships for the event were from the California Beef Cattle Improvement Association, Butte County Cattlemen's Association and USDA-NIFA Grant.

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Probate Cost Example

\$ 3,000,000	Property (1000 acres, \$3,000 per acre)
\$ 200,000	House
\$ 100,000	Barn
\$ 100,000	Property Infrastructure (e.g. wells, fencing, corrals)
\$ 50,000	Vehicles
\$ 10,000	Stock Trailer
\$ 20,000	Miscellaneous Equipment
\$ 62,500	Livestock (25 pairs at \$2,000 each)

\$ 3,542,500 Total Fair Market Value of Estate

\$ 4,000	4.0% of the first \$100,000 in asset value;
\$ 3,000	3.0% of the next \$100,000 in asset value;
\$ 16,000	2.0% of the next \$800,000 in asset value;
\$ 25,425	1.0% of the next \$9,000,000 in asset value;
	X 0.5% of the next \$15,000,000 in asset value;
	X Over \$25,000,000 in asset value, fee determined by court

\$ 48,425 Estimated Probate Costs on Fair Market Value